



Passport

Income and Expenditure: Vietnam

Euromonitor International

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INCOME AND EXPENDITURE: VIETNAM

Vietnamese economic development is forecast to continue, as foreign investment boosts manufacturing capacity resulting in an increasing employment rate and greater consumer confidence. However, rural areas are being left behind ongoing technological and economic improvements and could become more economically vulnerable. Therefore, income inequality is set to widen, despite ongoing urbanisation and rising overall income levels among Vietnamese households.

HEADLINES

- In 2018, Vietnam ranked 57th on Euromonitor International's Wealth Index. However, the country's position on the Index is expected to improve to 53rd by 2030.
- The country's average gross income is forecast to reach USD3,934 in 2030, an increase of 85.6% in real terms over 2019-2030.
- The population aged 40-44 is projected to be dominant among the highest-income group by 2030.
- The income gap in Vietnam is predicted to increase, due to uneven economic development in urban and rural regions.
- Transport is anticipated to be the best-performing spending category through to 2030, due to increasing average income and ongoing urbanisation.

PROSPECTS

Chart 1 SWOT Analysis: Vietnam

Strengths	• Strong urbanisation is set to boost consumer incomes and foster domestic consumption • A growing manufacturing sector secures stable employment and will continue to support consumer confidence
Weaknesses	• The two groups on the edges of the social distribution ladder will see the highest growth, as economic development distribution strongly differs in the regions • A high share of essential spending will continue limiting the development of discretionary categories
Opportunities	• Continuous foreign investment is anticipated to strengthen middle-class development • The transport category is forecast to be the top discretionary spending category, boosting revenues for automotive retailers
Threats	• Vietnam's economy and consumer confidence remain susceptible to USA-China trade war shocks • Rural areas are left behind ongoing economic development and are increasingly becoming more economically vulnerable compared to urban zones

Source: Euromonitor International

WEALTH ANALYSIS

Vietnam Is Set To Rise on the Wealth Index

Vietnam's market potential for high-value consumption ranks as 57th, though the country is forecast to improve its position on the Wealth Index and rank 53rd in 2030:

- The greatest improvement is anticipated in the number of wealthy people. The percentage of the wealthy population is forecast to increase, also raising the segment's share of total wealth, which in turn will support demand for high-value goods and services;
- Assets is forecast to be another well-performing segment driven by increasing savings accounts, which are supplemented by rising disposable income in the country.

Despite the expected improvement in its wealth ranking, Vietnam's high-value market potential is not without vulnerabilities:

- As China-USA trade tensions remain and the Vietnamese people will tend to put aside a higher amount of income towards savings, spending on discretionary and luxury items and services may decrease.

Chart 2 Vietnam's Wealth Landscape 2018



Source: Euromonitor International

Notes: 1) Euromonitor International's proprietary Wealth Index is a measure of the present and future potential of high-value and luxury consumer markets across 84 key countries. It was built from 21 indicators covering wealth, consumer expenditure, savings, households, insurance and pensions. Each indicator was assigned a weighting based on its perceived importance. For easier comparability, statistical scaling methods were used to fit all index component values to the same intervals. Each interval has a minimal value of zero and can reach a maximum of 100. The Index is expressed in 2018 and 2030 values.

2) Ultra HNWIs comprise adults with net wealth exceeding USD50.0 million; HNWIs have a net wealth exceeding USD5.0 million but below USD50.0 million; Affluent individuals have a net wealth exceeding USD1.0 million but below USD5.0 million.

Continuous economic expansion and rising gross fixed capital investment are set to drive income and wealth growth:

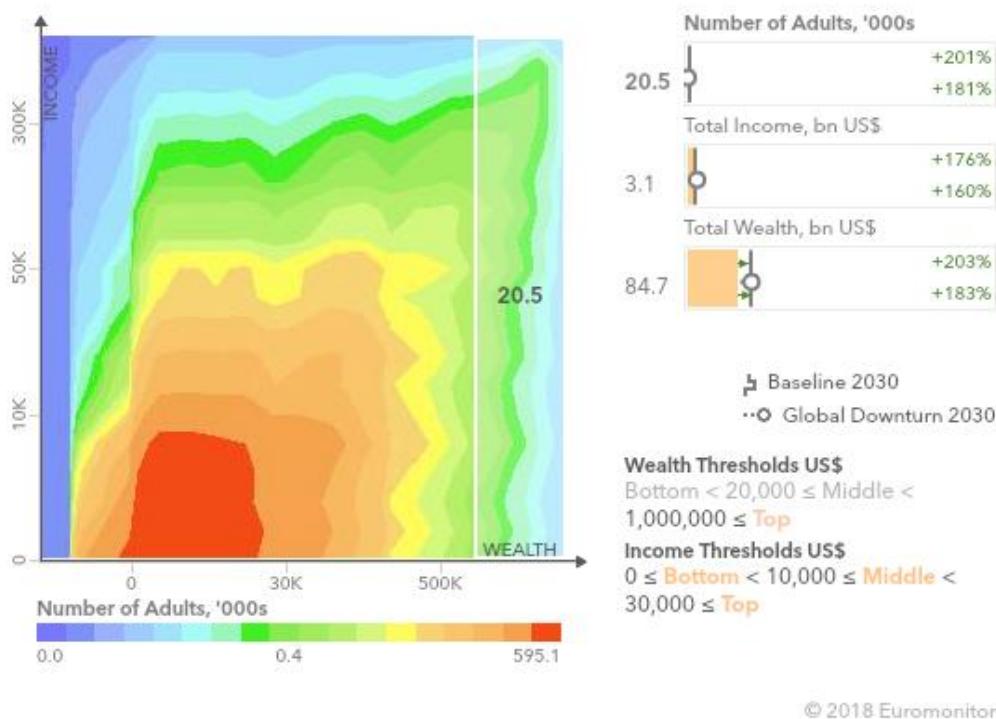
- The wealthy and affluent consumer segment in Vietnam is set to grow by 201% during 2019-2030, while their combined total wealth is expected to also rise. Growth is largely associated with increased foreign investment into the country, which boosts technology manufacturing and expands the wealth of the higher and middle classes;
- However, in the case of a Global Downturn scenario, the growth of the highest-income segment will slow down, as total income would expand by 160% by 2030. This scenario would

hinder investments and lower consumer confidence in such a way to dampen domestic consumption.

Chart 3 Income-Wealth Distribution in Vietnam: 2018-2030

Income-Wealth Distribution 2018

Vietnam, Joint Income-Wealth Distribution, Constant 2017 Prices



Source: Global Downturn Scenario Assumptions: Rising fears about a potential trade war and more populist policies in advanced economies cause a decline in business confidence, reducing investment and hiring. Greater uncertainty and concerns about overvaluation in financial markets lead to a self-fulfilling sell-off in advanced economies. Stock prices decline by 20.0-40.0% and private sector credit spreads increase relative to government bonds by 1.0-2.0 percentage points. Declining consumer conf

GROSS INCOME BY AGE

Vietnamese Aged 40-44 To Remain the Most Prominent High-income Group

The Vietnamese consumer group aged 40-44 was predominant among high-income earners:

- Vietnamese aged 40-44 are predominant among the highest income group, whilst they enjoy the highest average gross income. This age group plays a core role in fast-paced economic development, as they are already experienced in the labour market and yet they are young enough to adopt the technological advancements that are applied in modern manufacturing industries;
- Per capita income levels are forecast to expand consistently by 2030, as the country's economic performance builds up on the back of foreign direct investment.

Chart 4 Gross Income Distribution in Vietnam



Source: Euromonitor International from national statistics
 Note: Data for 2019-2030 are forecasts

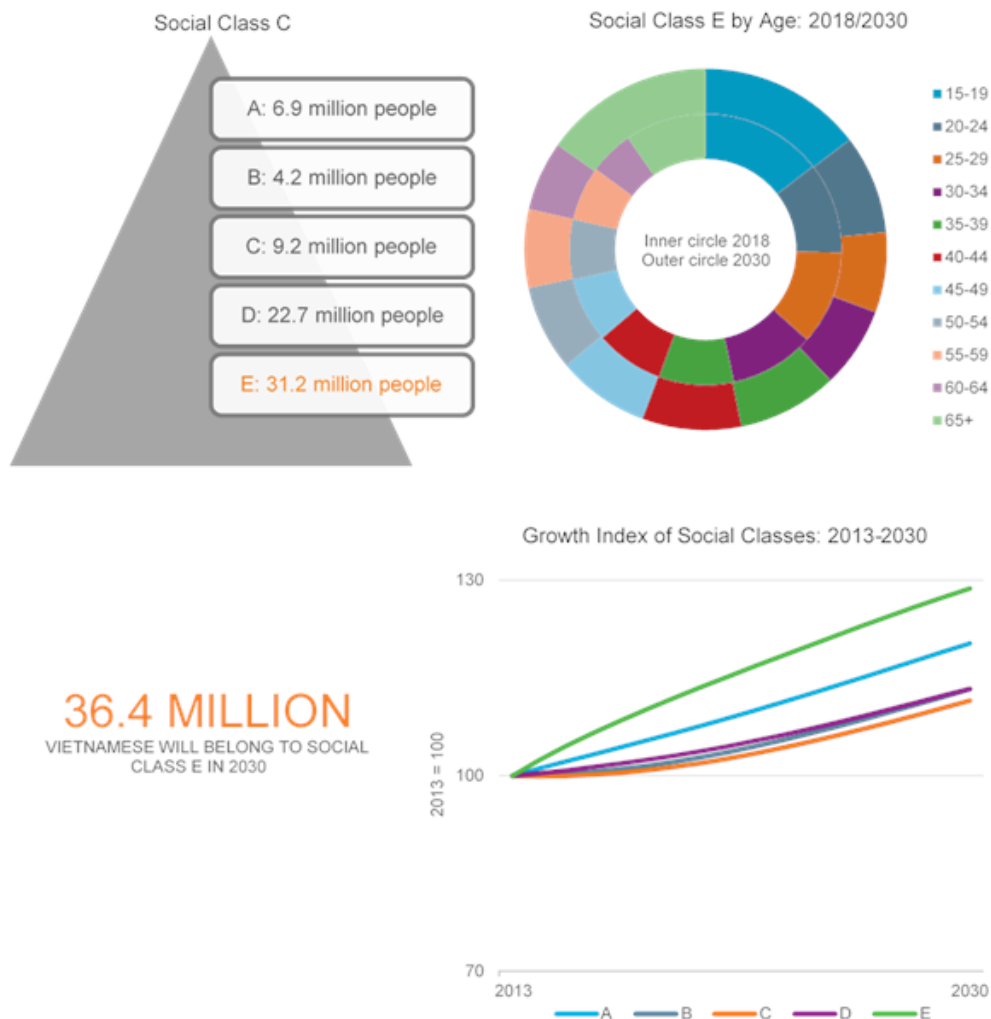
SOCIAL CLASS COMPOSITION

the Social Class Division in Vietnam Will Increase Over the Forecast Period

Robust economic growth will mostly benefit the highest social class and create further economic division within Vietnamese society:

- Social classes E (the lowest-income class) and A (the highest-income class) are forecast to be the fastest growing through to 2030. Despite growing manufacturing and services sectors, a large share of the population lives on low income. This situation is set to persist in the future, as relocating foreign firms do not provide significantly higher pay, as they move assets to Vietnam in search of a cheaper labour force;
- Nevertheless, foreign investment will provide some opportunities for higher middle-class households to transition to the highest social class A and thus boost the number of wealthy people in the country.

Chart 5 Overview of Vietnam's Social Classes



Source: Euromonitor International from national statistics
Note: Data for 2019-2030 are forecasts

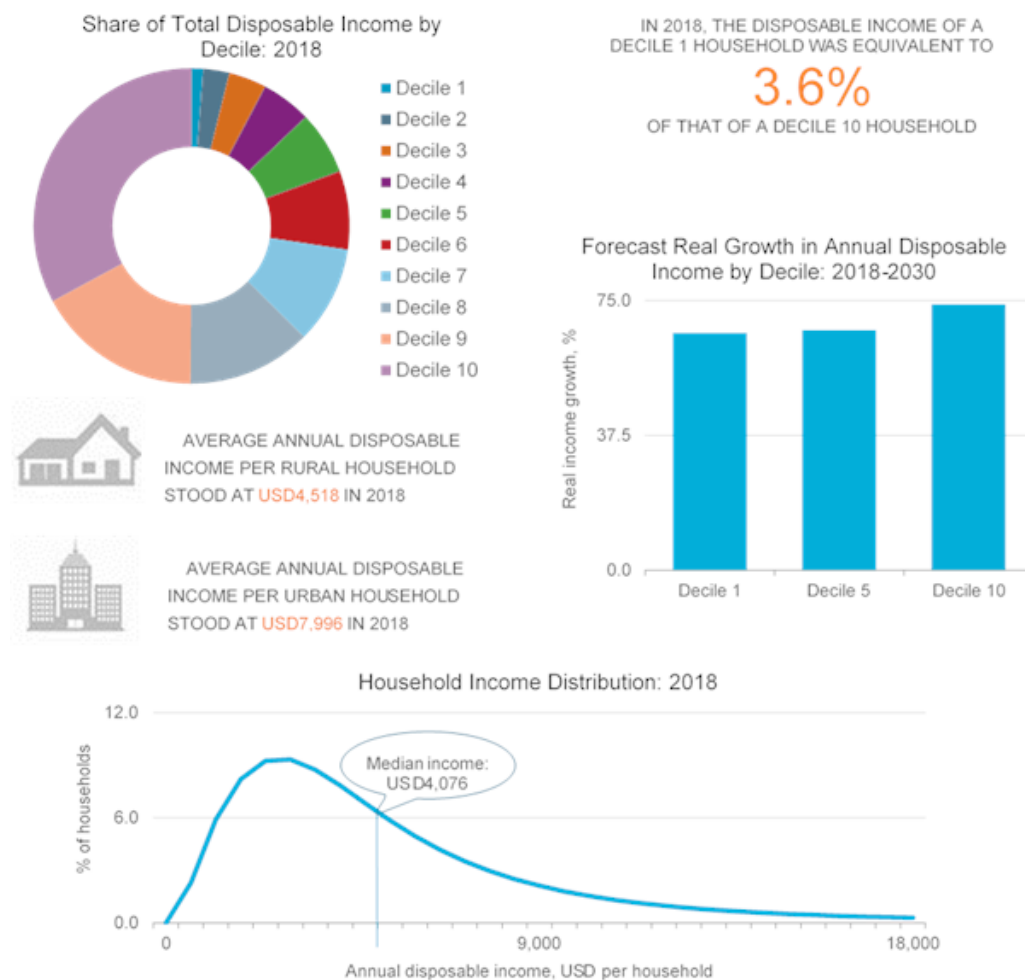
HOUSEHOLD INCOME DISTRIBUTION

Income Gap Is Predicted To Become Wider in Upcoming Years

Vietnam's income gap is large by global standards and ranks amongst the highest in the Asia Pacific region:

- The country's economic expansion is largely focused on urban areas, thus creating significant income disparities between urban and rural households;
- Vietnam's arable land is limited; therefore, mostly small farms dominate the agriculture industry, providing limited possibilities for farmers to generate higher income levels. Nevertheless, Vietnamese rural farmers are known worldwide for their production of coffee and rice. As these commodities are cheap, rural areas are struggling to improve earning levels.

Chart 6 Household Income Distribution in Vietnam



Source: Euromonitor International from national statistics

Note: Data for 2019-2030 are forecasts. Data are in constant 2018 prices, fixed exchange rates.

CONSUMER EXPENDITURE BY CATEGORY

Vietnam's Consumer Market Growth Is Forecast To Stabilise

Thanks to an expanding manufacturing sector and, therefore, intensive urbanisation, expenditure growth is set to stabilise after a spike in 2019:

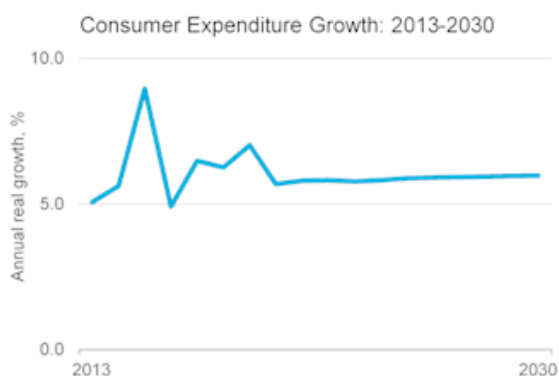
- The share of essential spending in Vietnam is higher than the regional or global average, as populated cities see rising housing prices and also Vietnamese assign a rather large share of income to food and beverages;
- In upcoming years, it is anticipated that transport will become the top discretionary spending category, as major cities plan to open metro lines and improve air transport infrastructure. These investments will boost domestic travel and thus the leisure and recreation category.

Chart 7 Consumer Spending in Vietnam

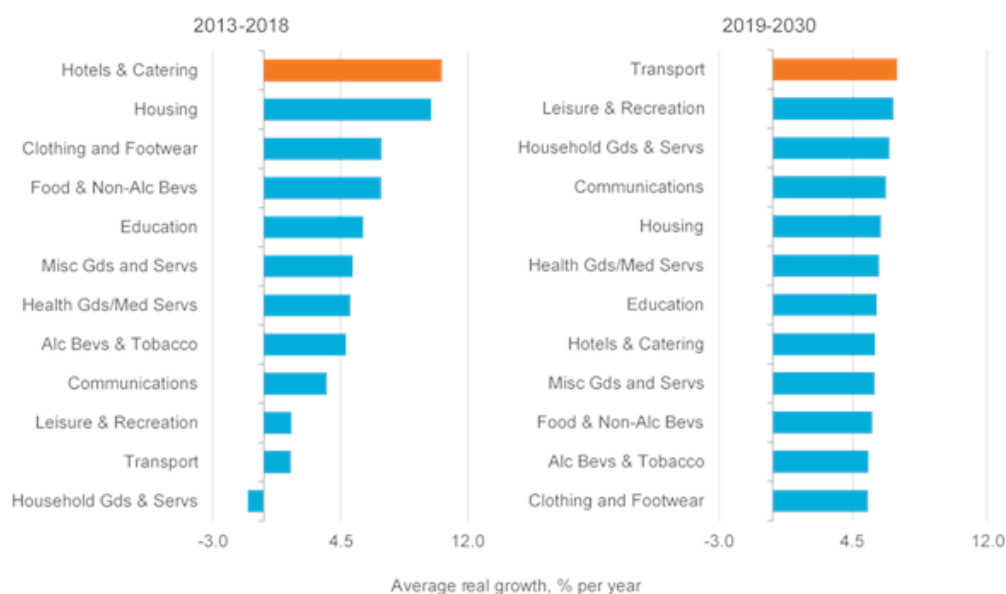


ESSENTIAL SPENDING AS A PROPORTION
OF CONSUMER EXPENDITURE IN 2018:

VIETNAM: 53%
REGIONAL: 48%
GLOBAL: 40%



Consumer Expenditure Average Annual Real Growth by Category: 2013-2030



Source: Euromonitor International from national statistics/UN/OECD
Note: Data for 2019-2030 are forecasts

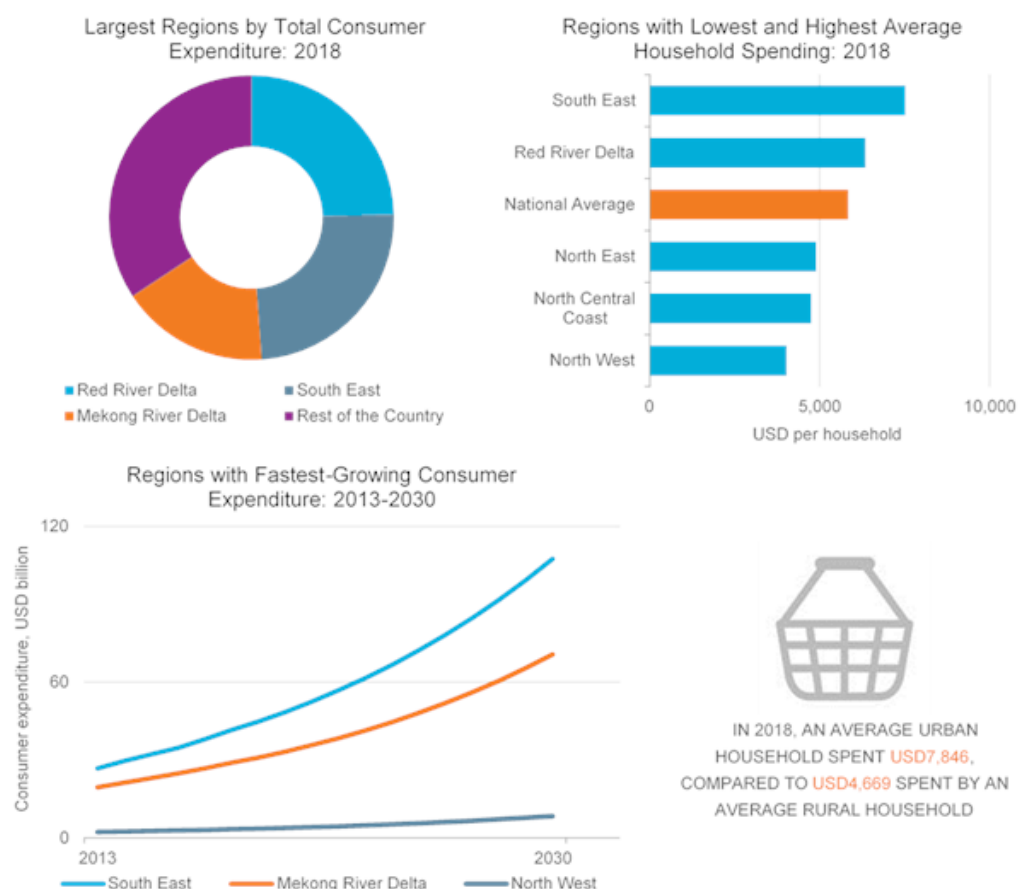
CONSUMER EXPENDITURE BY REGION

Red River Delta Is the Country's Largest Consumer Market

Concentration of economic activities in urban areas create significant differences in spending patterns across regions in Vietnam:

- The Red River Delta region accounts for the largest proportion of total consumer spending in the country. This is due to the urban centre Hanoi, which is increasingly attracting foreign investment and growing its exports. The region generates employment possibilities and, therefore, sees a more active consumer market performance in the country;
- Over 2019-2030, the South East region, with its manufacturing and technology hub, and financial centre in Ho Chi Minh, is going to see the fastest growth in consumer expenditure.

Chart 8 Vietnam's Consumer Market by Region



Source: Euromonitor International from national statistics/UN/OECD
 Note: Data for 2019-2030 are forecasts

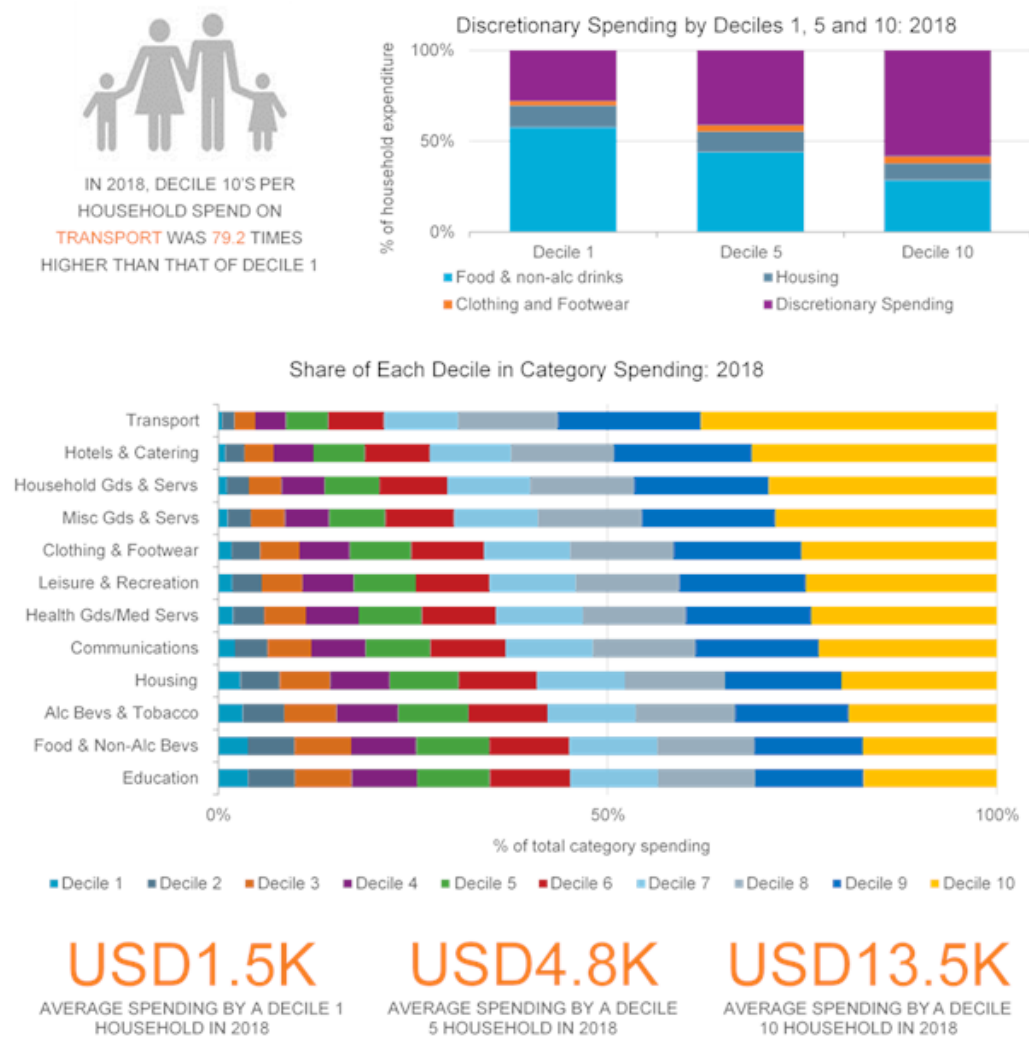
CONSUMER EXPENDITURE BY INCOME

Rising Middle Class To Lift Discretionary Spending Capacity

The country's large income inequality creates marked differences in spending patterns between the wealthy and the poor:

- The strongest difference in discretionary spending among Vietnamese social classes is seen in the transport category, as rural areas with low-income households and lifestyles settled in close proximity do not spend much on transportation. Meanwhile, wealthy urban social classes are mobile and are able to afford expensive cars or motorbikes;
- The category where social class spending differs the least is education. As Vietnam has a public education system, with quite a challenging curriculum for students and a strict examination system to enter good quality schools, even economically-disadvantaged students have a chance to enrol in higher education.

Chart 9 Consumer Spending by Income Type in Vietnam



Source: Euromonitor International from national statistical offices/OECD

CONSUMER EXPENDITURE BY HOUSEHOLD TYPE

'other' Household Type Dominates the Vietnamese Consumer Market

The household type identified as 'Other' has the highest expenditure levels among all Vietnamese households:

- The household type identified as 'Other' usually contains different generational family members, who have a variety of different needs and thus generate higher expenditure levels. This household type is leading the expenditure scale in Vietnam; however, couples with children are also one of the top groups in the consumer market;
- Evolving lifestyles of Vietnamese society are also leading to the fast increase of other household formats. Single persons and couples without children are anticipated to expand in numbers, though with significantly lower expenditure levels.

Chart 10 Spending by Household Type in Vietnam

In 2018, Vietnamese households spent on average **USD5,833** per household



COUPLE WITH
CHILDREN:
USD6,762
PER HOUSEHOLD



COUPLE WITHOUT
CHILDREN:
USD4,296
PER HOUSEHOLD



SINGLE-PARENT FAMILY:
USD3,778
PER HOUSEHOLD



SINGLE PERSON:
USD2,889
PER HOUSEHOLD



OTHER:
USD7,658
PER HOUSEHOLD

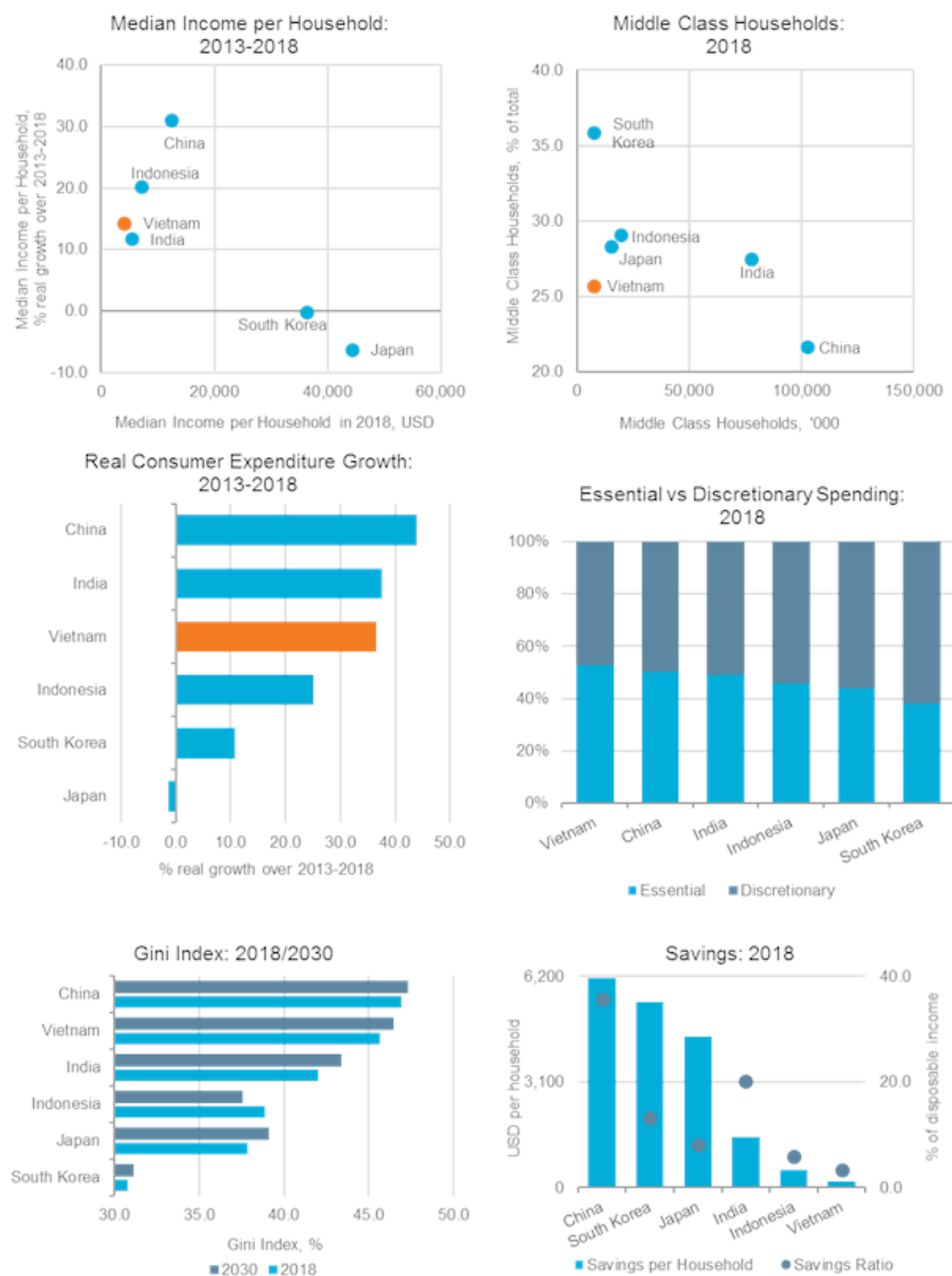


HOME OWNER WITHOUT MORTGAGE: **USD4,654** PER HOUSEHOLD
HOME OWNER WITH MORTGAGE: **USD15,752** PER HOUSEHOLD
RENTED: **USD13,434** PER HOUSEHOLD

Source: Euromonitor International from national statistical offices/OECD

REGIONAL COMPARISON

Chart 11 Vietnam versus Selected Asia Pacific Economies



Source: Euromonitor International from national statistics

Note: Essential spending refers to spending on the essential categories of food and non-alcoholic beverages, housing, and clothing and footwear. Spending on everything else is discretionary.